HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Barrie CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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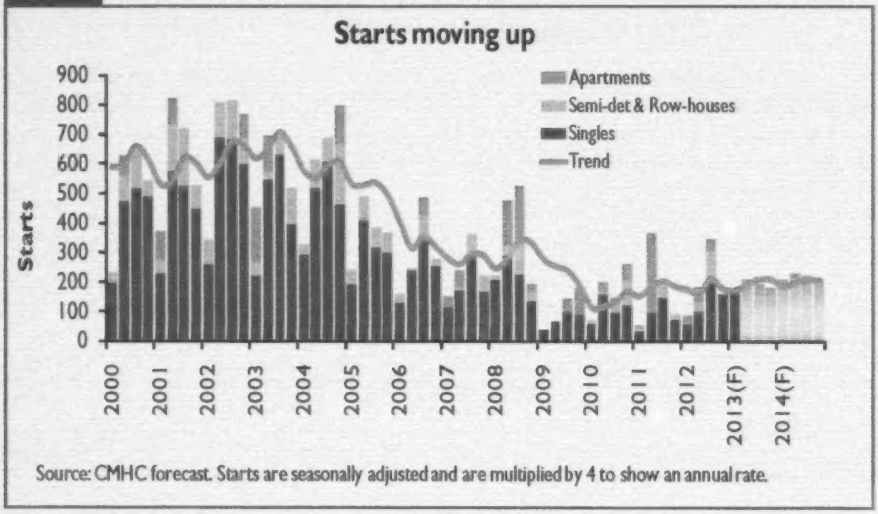
Market at a Glance:

- Existing home sales will moderate in 2013, mainly due to low inventory, but the market will pick up in 2014. Prices will continue to grow over four per cent in 2013, but will flatten in 2014.
- New construction will buck provincial trend and remain strong in 2013 and 2014 with increases in starts of five and six per cent, respectively.
- Townhouse construction will stay robust but single-detached home starts will predominate, supported by increasing construction in the town of Innisfil where land is available.

Figure 1



Source: CMHC forecast. Starts are seasonally adjusted and are multiplied by 4 to show an annual rate.

The forecasts included in this document are based on information available as of April 26, 2013.

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Resale Home Market

Low housing inventory

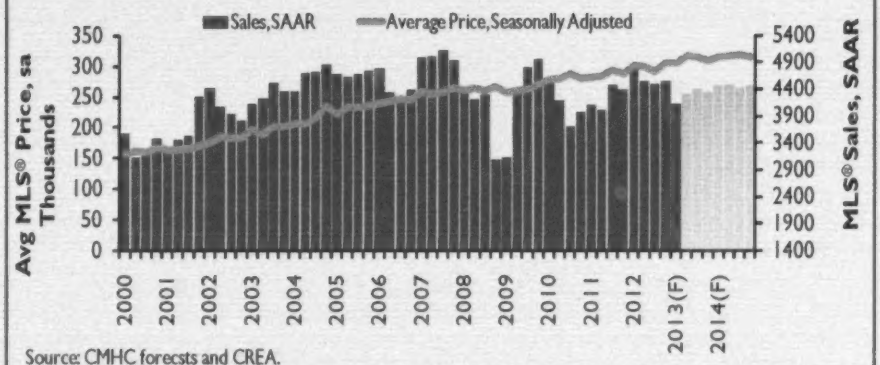
Sales of existing homes in the Barrie Census Metropolitan Area (CMA) began to pick up by the second quarter this year and are expected to stabilize at the level reached by the end of the year. Although sales will recover further in 2014, annual sales in 2013 and 2014 will be lower than they were in 2012.

The Barrie housing market has shown some strength in recent years and will continue to perform well in next two years. However, the slowdown at the end of 2012 which carried on into early 2013 means existing home sales will be down this year. The increase in the cost of home ownership outstripped the rise in incomes in mid-to-late 2012, which contributed to the slow-down in sales, but by 2013, these costs had stabilized while incomes continued to rise, supporting the current pick-up.

Buyers coming from outside Barrie do not contribute to listings locally, so since their number has increased, the limited inventory available has also become a constraint on sales. This is particularly the case in the lower to mid price ranges. Relatively affordable housing prices in Barrie are attracting buyers from the Greater Toronto Area (GTA). In fact, the average home price in GTA was about half a million in 2012 while in Barrie it was slightly less than $ 300,000. This price differential has widened considerably over the past two years and will encourage more people to settle in Barrie. In 2014, with further improvement in the economy here in Canada and south of the border, more local buyers will be active again in the market. This movement will draw some listings to the market and help meet some of the growing demand.

Figure 2

Existing Home Sales will Recover in 2014



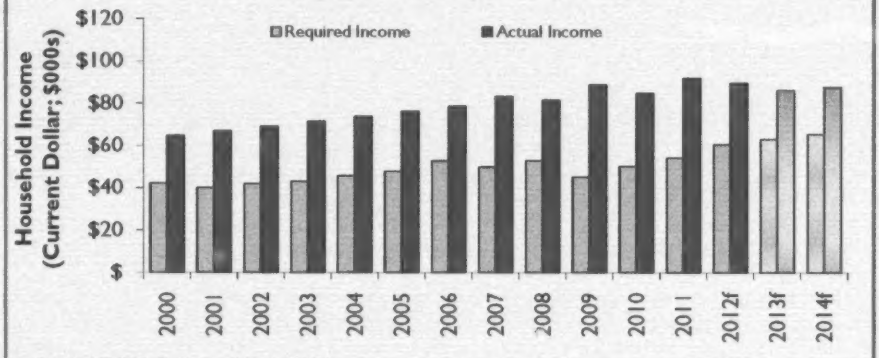
Source: CMHC forecsts and CREA.
Quarterly sales data are seasonally adjusted and multiplied by 4 to show an annual rate. Price data are adjusted for seasonal factors. MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Strong resale home prices

With the limited number of new listings coming onto the market and increasing demand, the sales-to-new-listings ratio (SNLR), a barometer of market conditions, is indicating there is some upward pressure on the price trend and that market conditions favour sellers. This situation will start to relax in 2014 with more supply in the market. Expect existing home prices to increase by about four per cent in 2013 and at a slower rate in 2014.

Figure 3

Barrie Required vs Actual Income



Source: CMHC, Statistics Canada, CREA.
*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 percent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization.

New Housing Market

New housing starts increase

New home construction in the Barrie Census Metropolitan Area (CMA) will grow strongly both this year and next. Total starts will reach 825 in 2013 and 874 in 2014 – representing a rate of growth of five and six per cent respectively.

Barrie had extensive construction activity in the years before 2008 since it had the land to support the fastest growth in population in Canada between 2001 and 2006. However, the 2011 census showed Barrie's population growth had slowed to less than a third of what it had been as land became less available. New construction is recovering, but the focus has shifted towards higher-density housing.

The pick-up in migration, which began in 2011, points to faster population growth which ultimately is the key driver of demand for new construction. More Torontonians will keep relocating to Barrie CMA to take advantage of affordable housing opportunities as some of them find it a challenge to access ownership in the GTA market. New migrants unable to find a suitable home in the resale market will increasingly turn to new home construction Also, the extension of Highway 404 to the Town of East Gwillimbury, for which construction work will finish in 2014, will reduce congestion and ease the traffic -allowing more Torontonians to consider moving north. At the same time, baby boomers will continue to look to areas with more affordable housing, including the Barrie area, when they choose a place for retirement. This move would allow them to buy a convenient home and put some money on the side for their retirement expenses.

Predominance of single-detached homes

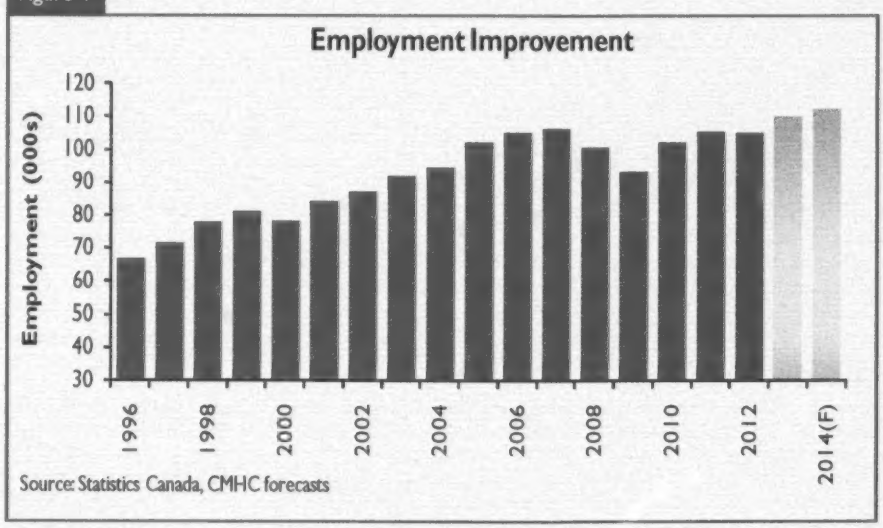
Single-detached homes will lead new home construction, especially in Innisfil Town where land is available for future development. Meanwhile, townhouses will become a larger proportion of new construction since they are an affordable alternative to single-detached homes, especially in the City of Barrie. Indeed, demand for rows will gain momentum in the coming years because of the characteristics of this type of housing that allow having the benefits of ground-oriented home at a lower price. The scarcity of land in the City of Barrie will continue until the annexed land from Innisfil is ready for development. Meanwhile, this will be a major factor in the flourishing of high density development in the City of Barrie. Also, the pressure of housing demand for affordable homes and Places to Grow government program will be other factors contributing to this intensification.

The trend in the median price for new homes shows they are relatively stable, which is expected to continue throughout the next two years. However, the average price for new single-detached homes will decrease a little over two per cent in 2013 as higher proportion of smaller, standardized homes in total construction brings down the average. Competition from the construction of townhouses will also limit increases in new home prices. There remains demand for some relatively high-priced single-detached homes but they are a very small part of the new home market.

Local Economy

Employment is set to increase strongly in 2013 before slowing to a more sedate pace in 2014. Since many people moving to Barrie are already employed, they increase the rate of employment growth when they move. The proportion of the population

Figure 4



Source: Statistics Canada, CMHC forecasts

which is working or looking for work is one of the highest in Ontario.

Barrie's economy is diversifying and expanding. Demand for industrial land and commercial construction activity have increased as firms in engineering and mining have moved into Barrie. Furthermore, Barrie was successful in attracting four data warehouses for major firms. Proximity to GTA, cooler weather and attractive prices for land are some of many advantages Barrie has to offer. In next few years, economic growth will be fuelled by commercial and industrial investments which will generate full time and high paying jobs. The stronger migration to Barrie has a ripple effect on the economy leading to job creation in the service sector.

In contrast to the relatively strong growth in employment, wages remain stable and even declining in some sectors. Investments in the technology and manufacturing sectors will lead stronger wage growth by 2014.

Mortgage Rate Outlook

Mortgage rates to see modest and gradual increases, but will remain low

In line with the consensus among private-sector forecasters, increases in the Target Overnight Rate by the Bank of Canada are not anticipated before mid-2014, later than anticipated at the time of the 2013 First Quarter Housing Market Outlook. This reflects the downward revisions in GDP forecasts since the publication of the First Quarter Housing Market Outlook, particularly the expectations of a slower economy in 2013. The expected delay in interest rate increases will continue to be supportive of housing market activity over the forecast horizon.

According to CMHC's base case scenario for 2013, the one-year mortgage rate is forecast to be within 3.00 per cent to 3.25 per cent with an average of 3.13 per cent, while the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent with an average of 5.28 per cent. For 2014, the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range with an average of 3.42, while the five-year posted mortgage rate is forecast to be within 5.25 per cent to 5.75 per cent with an average of 5.53 per cent, consistent with higher economic growth prospects in 2014.

Mortgage rates are not expected to increase until mid 2014. The anticipated small and steady increases in mortgage rates will lead to somewhat higher mortgage rates by the end of 2014. However, these rates will remain low, by historical standards, over the forecast horizon.

Forecast Summary Barrie CMA Spring 2013							
	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	442	354	474	500	5.5	530	6.0
Multiples	240	346	308	325	5.5	344	5.8
Semi-Detached	4	1	6	10	66.7	14	40.0
Row/Townhouse	133	78	179	200	11.7	230	15.0
Apartments	103	267	123	115	-6.5	100	-13.0
Starts - Total	682	700	782	825	5.5	874	5.9
Average Price ($):							
Single-Detached	407,200	416,757	425,776	416,000	-2.3	418,000	0.5
Median Price ($):							
Single-Detached	363,333	363,333	369,990		n/a		n/a
New Housing Price Index (% chg.) (Ontario)	2.4	3.6	4.1	n/a	-	n/a	-
Resale Market							
MLS® Sales	4,105	4,228	4,576	4,300	-6.0	4,450	3.5
MLS® New Listings	8,008	7,676	7,506	7,200	-4.1	7,300	1.4
MLS® Average Price ($)	281,965	287,588	299,685	312,000	4.1	316,000	1.3
Rental Market							
October Vacancy Rate (%)	3.4	1.7	2.0	2.3	-	2.5	-
Two-bedroom Average Rent (October) ($)	968	1,001	1,037	1,060	2.2	1,070	0.9
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.25	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 5.75	-
Annual Employment Level	102,200	105,500	105,100	110,000	4.7	112,000	1.8
Employment Growth (%)	9.5	3.2	-0.4	4.7	-	1.8	-
Unemployment rate (%)	9.5	9.7	8.3	7.1	-	7.0	-
Net Migration	857	1,308	1,220	1,300	6.6	1,190	-8.5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = apartments 3+

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